LPL FINANCIAL

QDIA Practices Checklist

Reg. 404(c)(5) Qualified Default Investment Alternatives

Plan Sponsor: ______________________

Plan Name(s): ______________________

Record Keeper: ______________________

Advisor: ______________________

Under the Employee Retirement Income Security Act of 1974 (ERISA), the fiduciaries of retirement plans are responsible for all investment decisions, including those made by the participants in participant directed plans, unless the plan is an "ERISA Section 404(c) plan." Section 404(c) of ERISA provides that if a plan permits the participants to exercise control over the assets in their accounts and they actually do so, the fiduciaries are not liable for any loss which results from such exercise of control so long as the plan complies with the requirements of the Department of Labor Regulation under Section 404(c). Further, Section 404(c)(5) provides fiduciary relief for investment in a qualified default investment alternative ("QDIA") wherein a participant in an individual account plan will be treated as exercising control over the assets in his or her account that, in the absence of an investment election by the participant, are invested by the plan in accordance with the requirements of the regulation.

This Checklist is intended to assist the fiduciaries in determining if they have satisfied the requirements of Section 404(c)(5). It sets out some recognized best practices related to QDIAs and the QDIA requirements that must be met (including a reference to the Department of Labor regulation where that requirement can be found).

The Checklist below is organized in two sections. The first section set out QDIA practices for plans that intend to comply with section 404(c)(5); the second section lists the requirements in the regulation with specific references to the regulation.

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I. QDIA Practices	Is This Practice Being Satisfied? (Yes or No)	How Is This Practice Being Satisfied?
1. The plan sponsor is aware of its fiduciary duties associated with the evaluation, selection and monitoring of the QDIA.	☐ Yes ☐ No	
2. Plan documents provide for the use of a QDIA.	☐ Yes ☐ No	
3. There is no indication that the plan sponsor, investment advisor or provider of the QDIA is involved in self-dealing, prohibited transactions, and/or conflicts of interest.	☐ Yes ☐ No	
4. QDIA investment advisor is covered by Errors & Omissions insurance. QDIA provider is covered by an ERISA bond.	☐ Yes ☐ No	
5. The plan sponsor's IPS has sufficient detail to define, implement, and manage each QDIA.	☐ Yes ☐ No	
6. The plan sponsor can demonstrate the due diligence process that was followed in the selection of the QDIA.	☐ Yes ☐ No	
7. Record keeper can properly administer the QDIA.	☐ Yes ☐ No	
8. The plan sponsor is receiving prospectuses, reports and performance information on the QDIA which highlight an objective due diligence evaluation.	☐ Yes ☐ No	
9. The plan sponsor monitors organizational changes that may affect the QDIA provider	☐ Yes ☐ No	
10. The plan sponsor has documented an analysis of all the fees associated with the QDIA, and is aware of all parties that are being compensated by QDIA revenue. Form 5500 fee disclosures are complete and accurate.	☐ Yes ☐ No	
11. Any notices provided by custodian are reviewed and discussed by the plan sponsor.	☐ Yes ☐ No	
12. The plan sponsor reviews the effectiveness of the QDIA in meeting the goal of a secure retirement for participants on (at least) an annual basis.	☐ Yes ☐ No	

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II. Requirements	Is This Requirement Satisfied? (Yes or No)	How Is This Requirement Satisfied?
1. Assets are invested in a QDIA that meets the definition in 2550.404c-5(e). *2550.404c-5(c)(1) and 2550.404c-5(e)*	☐ Yes ☐ No	
a. Does not hold or permit the acquisition of employer securities, except under certain circumstances. *2550.404c-5(e)(1)*	☐ Yes ☐ No	
b. Permits the transfer of assets from the QDIA to any other investment alternative available under the plan, subject to the criteria in 2550.404c-5(c)(5). *2550.404c-5(e)(2)*	☐ Yes ☐ No	
c. The QDIA is (i) managed by an investment manager [within the meaning of ERISA section 3(38)], a trustee of the plan, or the plan sponsor who is named fiduciary, or (ii) is an investment company registered under the Investment Company Act of 1940, or (iii) is an investment product or fund that meets certain criteria. *2550.404c-5(e)(3)*	☐ Yes ☐ No	
d. An investment fund product, model portfolio or investment management service that applies generally accepted investment theories and satisfies the following: *2550.404c-5(e)(4)*	☐ Yes ☐ No	
i. An investment product, fund or model portfolio that is diversified so as to minimize the risk of large losses and that is designed to provide varying degrees of long-term appreciation and capital preservation through a mix of equity and fixed income exposure based on the participant's age, target retirement date or life expectancy. Such products and portfolios change their asset allocations and associated risk levels over time with the objective of becoming more conservative with increasing age (e.g., life-cycle or targeted-retirement-date funds). *2550.404c-5(e)(4)(i)*	☐ Yes ☐ No	

(Continued)

II. Requirements	Is This Requirement Satisfied? (Yes or No)	How Is This Requirement Satisfied?
ii. An investment product, fund or model portfolio that is diversified so as to minimize the risk of large losses and that is designed to provide long-term appreciation and capital preservation through a mix of equity and fixed income exposures consistent with a target level of risk appropriate for participants of the plan as a whole (e.g., balanced funds). *2550.404c-5(e)(4)(ii)*	☐ Yes ☐ No	
iii. An investment management service that allocates the assets of a participant's individual account to achieve varying degrees of long-term capital appreciation and capital preservation through a mix of equity and fixed income exposures, offered through investment alternatives under the plan, based on the participant's age, target retirement date or life expectancy. Such portfolios are diversified so as to minimize the risk of large losses and change their asset allocations and associated risk levels for an individual account over time with the objective of becoming more conservative with increasing age. *2550.404c-5(e)(4)(iii)*	☐ Yes ☐ No	
2. The participant or beneficiary on whose behalf the investment is made had the opportunity to direct the investment of the assets in his or her account but did not direct the investment of the assets. *2550.404c-5(c)(2)*	☐ Yes ☐ No	
3. The participant or beneficiary on whose behalf an investment in a QDIA may be made is furnished a notice that meets the requirements of 2550.404c-5(d). *2550.404c-5(c)(3)*	☐ Yes ☐ No	
a. The notice must be provided either (i) at least 30 days in advance of the date of plan eligibility, or at least 30 days in advance of the date of any first investment in the QDIA, or (ii) on or before the date of plan eligibility provided the participant has the opportunity to make a permissible withdrawal. *2550.404c-5(c)(3)(i)*	☐ Yes ☐ No	
b. The notice must also be provided within a reasonable period of time of at least 30 days in advance of each subsequent plan year. *2550.404c-5(c)(3)(i)*	☐ Yes ☐ No	

(Continued)

II. Requirements	Is This Requirement Satisfied? (Yes or No)	How Is This Requirement Satisfied?
c. The notice shall be written in a manner to be understood by the average plan participant and shall include the following: *2550.404c-5(d)*	☐ Yes ☐ No	
i. A description of the circumstances under which assets may be invested in a QDIA and, if applicable, information regarding elective contributions. *2550.404c-5(d)(1)*	☐ Yes ☐ No	
ii. An explanation of the right to direct the investment of assets in their individual accounts. *2550.404c-5(d)(2)*	☐ Yes ☐ No	
iii. A description of the QDIA including a description of the investment objectives, risk and return characteristics, and fees and expenses. *2550.404c-5(d)(3)*	☐ Yes ☐ No	
iv. A description of the right of the participants and beneficiaries to direct the investment of the assets to any other investment alternative under the plan, including a description of any applicable restrictions, fees or expenses in connection with such transfer. *2550.404c-5(d)(4)*	☐ Yes ☐ No	
v. An explanation of where the participants and beneficiaries can obtain investment information concerning the other investment alternatives available under the plan. *2550.404c-5(d)(5)*	☐ Yes ☐ No	
4. A fiduciary provides the participant or beneficiary the material set forth in 404c-1(b)(2)(i)(B)(1)(viii) and (ix) and 404c-1(b)(2)(i)(B)(2) relating to a participant's or beneficiary's investment in a QDIA. *2550.404c-5(c)(4)* *Refer also to 404c-1 – ERISA Section 404(c) Plans, and 404a-5 – Fiduciary Requirements for Disclosure in Participant-Directed Individual Account Plans*	☐ Yes ☐ No	

(Continued)

II. Requirements	Is This Requirement Satisfied? (Yes or No)	How Is This Requirement Satisfied?
5. Any participant or beneficiary on whose behalf assets are invested in a QDIA may transfer, in whole or in part, such assets to any other investment alternative available under the plan with a frequency consistent with that afforded to a participant or beneficiary who elected to invest in the QDIA, but not less frequently than once within any three month period and unless otherwise permissible under the rule shall not be subject to any restrictions, fees or expenses. *2550.404c-5(c)(5)*	☐ Yes ☐ No	
6. The plan offers a broad range of investment alternatives within the meaning of 2550.404c-1(b)(3) *2550.404c-5(c)(6)* *Refer also to 404c-1 – ERISA Section 404(C) Plans*	☐ Yes ☐ No	

This Checklist is being used to assist the plan sponsor to better fulfill its responsibilities in connection with the requirements under Section 404c-5. It is for informational purposes only. Please note that this Checklist is not meant to ensure compliance with Section 404c-5 or ERISA and is not legal advice or a legal opinion. You should consult with legal counsel regarding compliance with ERISA and other applicable laws. ERISA Section 404c-5 does not relieve the fiduciaries of responsibility to prudently select and monitor QDIAs.

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